MARCOR

Montgomery Ward
Container Corporation of America

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

1974 Annual Report

The Business of Marcor

As the parent company of Montgomery Ward and Container Corporation of America, Marcor serves consumers through the related activities of retailing and packaging. Some of these activities are shown on the covers of this report.

Montgomery Ward is one of the nation's leading retail merchandising organizations, presently operating 446 retail department stores located throughout the country. Its catalog division each year publishes two general merchandise catalogs supplemented by special seasonal and sale books. The catalog division operates catalog order desks in all retail stores and 460 catalog stores and 1,253 catalog sales agencies.

Montgomery Ward has subsidiaries in the insurance, education and restaurant fields, as well as subsidiaries which manufacture paints, detergents and lawn and garden equipment.

Container Corporation is a leading manufacturer of paperboard packaging. Its products include shipping containers, folding paperboard cartons, composite cans, fibre drums, paperboard, bags and plastic containers. Overseas subsidiaries operate in Colombia, Mexico, Venezuela, Italy, Spain and the Netherlands.

Through Hydro Conduit Corporation and its subsidiaries, Marcor manufactures and sells pre-stressed and pre-cast concrete products and other construction materials.

The New York Stock Exchange is the principal market in which the common stock and Series A preferred stock of the Company are traded. These securities are also traded in the Midwest Stock Exchange, Pacific Coast Stock Exchange and Swiss stock exchanges. The Series B preferred stock is all held by Mobil Oil Corporation and is not traded in any market.

Marcor annual meeting

The annual meeting of Marcor stockholders will be held at 10 a.m., Tuesday, May 27, 1975 in Chicago, Illinois, at 535 West Chicago Avenue. Formal notice of the meeting, a proxy statement and proxy were mailed with a copy of this report, to all stockholders of record April 14, 1975.

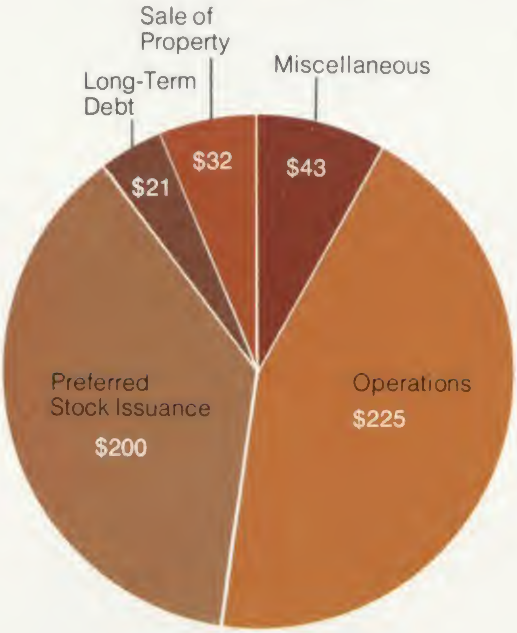
Contents

Financial Highlights

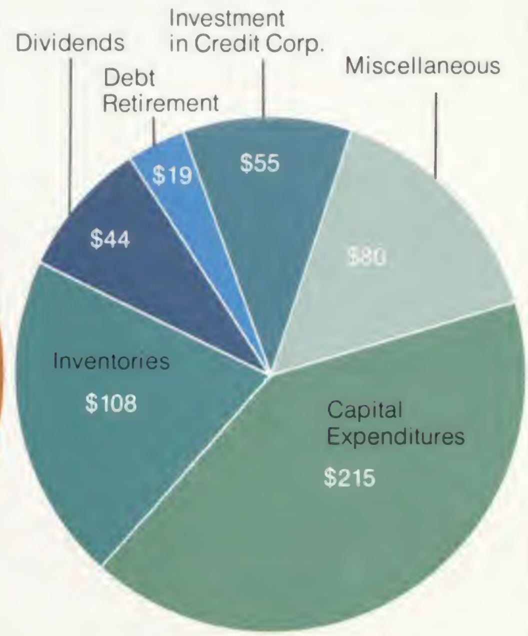
CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

Fiscal years ended January 31,	1975	1974	Percent increase
Net sales	$4,667,479,000	$4,077,415,000	14.5
Net earnings	$ 115,724,000	$ 96,652,000	19.7
Earnings per common share	$ 3.40	$ 3.01	13.0
Earnings per common share assuming full dilution	2.63	2.32	13.4
Dividends paid per common share	$ .97½	$ .87½	11.4
New Equity Capital	$ 207,822,000	$ 3,062,000	
Capital expenditures	$ 214,796,000	$ 202,589,000	6.0
Depreciation and amortization	79,981,000	75,911,000	5.4
Interest expense	$ 174,949,000	$ 127,515,000	37.2
Year-end statistics			
Working capital	$ 469,888,000	$ 361,658,000	29.9
Inventories	958,365,000	850,111,000	12.7
Long-term debt	742,397,000	741,128,000	.2
Stockholders' equity	1,309,445,000	1,028,949,000	27.3
Book value per common share	28.77	26.60	8.2
Shares outstanding:			
Preferred–series A	5,211,759	6,059,573	
Preferred–series B	8,000,000	—	
Common	30,329,035	28,339,118	

Source of Funds:
$ millions



Use of Funds:
$ millions



Chairman's Report to Marcor Stockholders

In fiscal 1974, Marcor established new records in sales, in net earnings and in dividends paid to stockholders. These record results were achieved despite the slackening pace of the economy, which adversely affected performance of both our retailing and packaging businesses during the final months of the year.

Marcor sales and earnings set records

Marcor sales rose to $4.7 billion in fiscal 1974, an increase of 14.5% above last year's record level. Sales have grown in every year since its formation in 1968.

Our after-tax earnings on sales in 1974 were 2.5% compared with 2.4% earned in 1973. The rate of return on average shareholders' equity was 10.2% compared with 9.8% last year.

Earnings for 1974 rose to $115.7 million, an improvement of 19.7% above the record of $96.7 million established in 1973. Earnings were decreased by $9.1 million, or 21 cents per share fully diluted, as a result of a change in inventory accounting methods by manufacturing subsidiaries, from the lower of average cost or market to the last-in, first-out (LIFO) basis. The LIFO method is considered to be preferable because it more closely matches current costs with current revenues in periods of price level changes; under the LIFO method, current costs are charged to cost of sales for the year.

In the final quarter of 1974, our rate of sales and earnings growth slowed from the pace set earlier in the year, reflecting weakened consumer buying. Sales for the three months ended January 31, 1975 increased 8.4% to $1,278,000,000. After-tax earnings of $28,582,000 reflected a reduction in earnings of $1,552,000 due to the change to LIFO accounting in our manufacturing subsidiaries, as well as a $4,651,000 write-off of deferred pre-operating expenses for new Ward stores.

Primary earnings per share rose to $3.40 from $3.01 reported in fiscal 1973. On a fully-diluted basis, earnings per share were $2.63 in 1974, compared with $2.32 the previous year. This 13.4% improvement continues the record of profit growth of Marcor's first six years, which has been at a compound annual rate of 11.6%.

Quarterly dividend increased

The continued improvement in net earnings last year enabled the company to increase its quarterly dividend on common stock from 22½ to 25 cents per share. This increase raised the annual dividend rate to double the level paid five years ago and continued the company's policy of returning

Marcor and Ward headquarters last year moved into this new 26-story Chicago landmark building created by internationally-renowned architect Minoru Yamasaki.

to investors a high dividend level consistent with the capital reinvestment requirements of the corporation.

Capital expenditures for all Marcor subsidiaries last year totaled $215 million, compared with $203 million in fiscal 1973. In addition, Montgomery Ward's landlords invested approximately $14 million in leased stores opened in 1974. We plan capital expenditures of $182 million for fiscal 1975, of which $88 million will be used to continue the expansion and modernization programs of Montgomery Ward, and $90 million for the growth of Container Corporation of America.

Container earnings at all time high

The principal factor responsible for Marcor's earnings progress in 1974 was the outstanding performance of Container Corporation of America, which attained the highest sales and earnings levels in its corporate history. Container sales rose 25.7% to $964.7 million. Net operating earnings of $79.2 million represented a 57% improvement over fiscal 1973 earnings of $50.4 million. The change to LIFO accounting reduced earnings by $5.6 million.

All major divisions of Container shared in these record sales and earnings results, which were achieved despite increased costs of labor, fuel, transportation and raw materials. The company experienced a decline in unit shipments of corrugated shipping containers, which account for almost half of its sales volume. U.S. demand for these containers, which had exceeded the industry's capacity in the first half of 1974, dropped sharply in the final quarter, reflecting accelerating deterioration of the economy. We expect our domestic shipping container division will operate at reduced levels in the first half of 1975, with a turnaround anticipated in the second half.

Sales of Container's folding paperboard carton division, which are heavily concentrated in packages for foods and consumer non-durables, showed excellent growth in 1974. If these historically stable markets continue to perform as expected, sales volume of this division should equal or exceed the past year. Domestic composite can and plastics divisions continue to experience growth rates well in excess of the general economy.

Container's overseas division, which has operations in six European and Latin American nations, continued its sales and earnings progress, accounting for 26% of Container's sales and 22% of its earnings in 1974. The outlook for this division in 1975 is favorable, with growth in the Latin American countries expected to offset lagging demand in European markets.

Montgomery Ward sales set record

Sales for Montgomery Ward climbed to a record $3.6 billion in fiscal 1974, rising 12.1% above the previous all-time high established last year. Increased sales were achieved by both catalog and retail store operations in all regions of the country. The company continued its aggressive merchandising programs which have enabled its sales gains to outpace those of its major competitors for the past two years. Wards was one of the few major retailers to increase unit sales and dollar volume in 1974.

Fiscal 1974 net operating earnings (before prior years cumulative effect of accounting policy changes) of $56.1 million were 9.6% less than Ward's 1973 earnings, attributable primarily to higher interest costs incurred in financing credit sales and inventories.

Ward 1974 interest expenses of $143.9 million represented an increase of 55.3% or $51.2 million above the previous year.

At the end of 1974, Montgomery Ward Credit Corporation owned a total of $1,979.0 million of customer deferred payment receivables, an increase of $386.7 million over the previous year. These receivables were financed by an increase of $212 million of directly issued commercial paper and notes payable, a $60 million issue of intermediate term debentures, and a $55 million equity contribution by Ward during the year along with retained earnings of the finance subsidiary.

During the first quarter of 1975, short-term interest rates dropped significantly, increasing the likelihood that this element of cost will be substantially less in 1975.

As consumer buying weakened and a recessionary psychology abruptly replaced the psychology of shortage which had characterized the economy earlier in the year, retail competition increased in response to pressures to reduce inventories which had been built up throughout the industry to hedge against shortages anticipated earlier in the year. Ward year-end merchandise inventories of $826 million were 9.7% above 1973 levels. The company has implemented programs to manage inventory at the optimum level required to support anticipated sales.

Mobil investment strengthens Marcor

By far the most significant event in 1974 was the major investment which Mobil Oil Corporation made in Marcor in September. As part of Mobil's tender offer to Marcor stockholders, Mobil made an equity investment of $200 million through the purchase of 8,000,000 shares of newly issued Series B preferred stock directly from Marcor. This equity investment, together with stock Mobil purchased from other shareholders, has given Mobil a majority interest in Marcor.

The addition of $200 million of new equity funds has helped improve our capital base. Our ratio of long-term debt to total investment was reduced to 36% this year, from 42% at the end of 1973. This significantly improves our financial position and strengthens our ability to implement plans for future expansion.

Because of the simultaneous threats of recession and continuing inflation, 1975 portends to be a much more difficult year than 1974. However, we expect to be able to manage our organizations and resources in a manner that will allow Marcor to continue to compare favorably with our competition.

Our economists are projecting a continuation of the recession through the first half of 1975, with recovery in the second half leading into a relatively healthy growth period. Ward today is better positioned to cope with a weak consumer economy than in previous downturns. Container Corporation has repeatedly demonstrated its ability to minimize profit erosion during adverse swings in the business cycle. Its strong marketing orientation, relatively diverse product mix and broad geographical base, buttressed by a growing overseas division, are key factors that help the company minimize cyclicality.

Long-term opportunities are bright

Looking to the longer term, Container Corporation expects to continue to improve its position in most of the domestic and overseas markets in which it participates. The domestic company is the recognized leader in an industry that is projected to experience growth rates of four to five percent annually through the 1980's. Overseas, the majority of its investment is concentrated in countries with growing economies.

Montgomery Ward has proven its ability to compete successfully with other leading national mass merchandisers. Ward has been improving its market share and increasing the productivity of its retail and catalog facilities, and has the capability to realize additional potential in these areas.

Because of the excellent long-term opportunities facing our two major subsidiaries, we regard the current recessionary period as a short-term interruption in the sustained upward curve of Marcor's sales and earnings. It is our expectation that 1976 will find us on the threshold of a new period of sustained sales and earnings improvement.

Leo H. Schoenhofen

Leo H. Schoenhofen
Chairman and Chief Executive Officer

Container Corporation of America

Container Corporation of America, one of the world's leading manufacturers of paperboard packaging, is a particularly innovative manufacturer of custom packaging, applying marketing-oriented solutions to the packaging and distribution problems of every segment of industry.

This emphasis, combined with extensive creative and technical support services, enables the company to add maximum value to its basic raw material, paperboard, resulting in greater profit opportunities than are available to companies marketing their products on a commodity basis.

During fiscal 1974, finished packaging products represented 81% of total company sales. Two-thirds of domestic packaging sales are concentrated in the relatively stable consumer non-durable markets. One-third of sales are for packaging of the more volatile durable goods.

Nearly one-half of all sales to the consumer non-durable market are concentrated in food and beverage packaging, which tend to remain strong in recessionary periods.

Leader in container production

Container Corporation is a leader in the production of corrugated shipping containers, the basic package used in the distribution of most products. The container division and the containerboard mills that support it last year accounted for 47% of domestic sales. This division operates 32 fabricating plants in the nation's major manufacturing and agricultural centers. These plants manufacture corrugated and solid fibre shipping containers from paperboard produced by six supporting mills. In 1974, a new shipping container plant was opened in Louisville, Kentucky, to replace an obsolete facility there. Capacity of several other plants was expanded through the addition of more efficient production equipment. The division's growth during the intermediate term will be accomplished largely by increasing the capacity of existing properties.

Carton is principal consumer package

Folding paperboard cartons constitute Container's principal consumer package. They contain, protect and display the full spectrum of consumer products purchased in supermarkets, drug, hardware and other retail outlets.

Container Corporation's carton division, and the mills that manufacture the paperboards which constitute its principal raw material, provided 37% of its 1974 domestic sales. In 1974, the division expanded its largest plant at Carol Stream, near Chicago, Illinois, and opened a small facility in San Jose, California. In 1975, several major equipment purchases are scheduled to improve productivity and quality.

Sales of Container Corporation's composite can, plastic container, and paper stock divisions accounted for 17% of 1974 U.S. sales and continue to record growth rates well in excess of the Gross National Product. The composite can division, which manufactures packages that combine paperboard bodies with metal or plastic ends, will open a new plant in the southeast during 1975. Capacity of the company's plastics division, which produces containers for industrial products, will be expanded through addition of a plant now under construction in New Jersey.

Fibre base being broadened

Container is highly integrated from forest and secondary fibre sources to the finished product. A wastepaper repulping facility now under construction at the Fernandina Beach, Florida, containerboard mill will increase the company's recycling capacity, and raise capacity of this mill to 2,000 tons per day. The Fernandina mill is the largest of the company's domestic mills, which together produced 1,666,834 tons of paperboard in 1974. Of this total, recycled wastepaper provided 44% of the fibres utilized, while waste wood chips and pulpwood represented the balance of 56%.

In 1974 a new wastepaper processing facility was opened in Jacksonville, Florida, and an additional wastepaper processing plant will be opened in the Chicago area in the summer of 1975. The company last year collected 1.2 million tons of wastepaper, of which 65% was recycled into new products by company mills.

Container also is increasing its ownership and control of timberlands to assure future supplies of pulpwood for its southern paperboard mills. The company now owns or controls one million acres of timberland.

To improve the marketing and distribution of thousands of products, CCA custom designs the package for its customers, thereby adding maximum value to its basic raw material, paperboard.

Pulpwood grown on lands managed by the company is being increased each year, as additional acres are converted into tree farms, planted with genetically superior seedlings and subjected to scientific forest management.

Expanding in overseas markets

The international division of Container Corporation continues to expand its operations in six foreign countries. In 1974, it produced 26% of consolidated trade sales. At year-end, this division was operating 57 packaging plants and paperboard mills and was completing construction of several important facilities which will significantly improve its capability to serve the markets where the greatest growth is anticipated. The major portion of Container's international investment is concentrated in Colombia, Venezuela and Mexico. These Latin American nations are characterized by growing populations, increasing gross national products, rising living standards, increasingly sophisticated marketing and distribution of packaged merchandise and consequently, heavier reliance on paper and paperboard products.

New mills built in South America

A new pulp and paperboard mill, now under construction in Barranquilla, Colombia, will begin operation in mid-1975. The mill will use a combination of local pulpwood, wastepaper and waste byproducts of local lumbering operations to produce 36,000 tons of containerboard per year.

On Container forestlands, each tree harvested is replaced by four new seedlings to help assure future pulpwood supplies for its southern paperboard mills.

The company's mill in Cali, Colombia, is increasing the capacity of its present paperboard machines and constructing a chemical recovery system which will improve productivity of the mill and reduce water pollution.

A new pulp and paperboard mill which will begin operation this year in San Felipe, Venezuela, is a joint venture between Papelera Industrial S.A. and Carton de Venezuela, a subsidiary of Container Corporation. This mill will extract fibres from bagasse, a sugar processing waste byproduct, and combine them with waste paper and softwood pulp to manufacture 71,000 tons of containerboard annually. Container Corporation has a majority interest in this new mill:

Major capacity increases at shipping container plants in Colombia, Mexico and Italy will become operational in 1975.

Management depth is basic strength

One of the basic strengths of Container Corporation is its decentralized organization, under which local management teams are given responsibility for maintaining a satisfactory return on their invested capital. This structure is supported by centralized research and development, graphic and structural design, market research, machinery development and other corporate resources that enable each plant to develop packages to meet marketing and distribution needs of its customers.

On January 15, 1975, William P. Peters was elected a senior vice president, responsible for long-range planning, with added administrative responsibilities including engineering and production methods, research and development, capital planning and purchasing.

Directors and Officers

Henry G. Van der Eb
Chairman of the Board and Chief Executive Officer

R. Harper Brown
President and Chief Operating Officer

Leo H. Schoenhofen
Chairman of Marcor Inc. and Chairman, Executive Committee

Group Executive Vice Presidents
Thomas F. Cass
Donn O. Jennings
Everett G. Temple

Senior Vice Presidents
Richard C. Bittenbender
Robert E. Feltes
Harry E. Green
William B. Whiting

Other Directors

Robert E. Brooker
Chairman, Executive Committee, Marcor Inc. and Montgomery Ward

Edward S. Donnell
President, Marcor Inc., Chairman of the Board and Chief Executive Officer Montgomery Ward

Theodore W. Nelson
Director, Executive Vice President for Chemical Interests, Corporate Research and Engineering, Mobil Oil Corporation

Lawrence M. Woods
Vice President for Planning and Economics, Mobil Oil Corporation

Gordon R. Worley
Vice President, Finance, Marcor Inc. and Montgomery Ward

Other Officers

Senior Vice Presidents
Everett O. Jones
William E. Mastbaum
William P. Peters
William H. Richards
Richard C. Winkler

Vice Presidents
Albert A. Austin
Thomas L. Benson, Jr.
Lewis M. Cutter
Macon M. Dalton
R. William Erskine
Colin C. Handlon
Jerome S. Heisler
Frank G. Jones
Robert J. Katovich
Richard S. Kelly
Joseph F. Kilcullen
W. David Lang
David F. Reynolds
Morton H. Robinson
J. Donald Scott
Stanley B. Tamkin
Jack D. Tovin
David C. Whitehouse
George H. Whiteside
Lloyd E. Williams

Controller
H. Woodward Johnson, Jr.

Treasurer
James F. Oates

Secretary
Edward K. Meier

Associate General Counsel
H. Arvid Johnson

Assistant Corporate Controllers
James R. Fallen
William P. Lee

Assistant Treasurer
John J. Egan

Assistant Secretaries
Richard W. Carpenter
Joseph B. Higgs


MONTGOMERY
WARD

Retail store expansion continues

The principal thrust of Ward's expansion program continues to be the establishment of additional stores in major metropolitan markets where the company is already represented with multiple stores. Ward currently has 24 of these metropolitan district organizations, operating from 4 to 16 large new stores, supported by centralized merchandising, advertising, administrative, warehouse, delivery and service organizations. Our primary strategy is to continue adding stores to these metropolitan districts, to increase productivity, to improve profitability and to increase market penetration. At the beginning of 1975, Ward was operating 166 stores in these metropolitan districts.

Expanding in medium-sized markets

A secondary strategy is to enter more medium-sized markets in which one large store will make Ward a highly visible and effective competitor. Such stores will be located in market areas which are growing at a faster pace than the rest of the nation. Another avenue of expansion being pursued by Ward is the acquisition of existing retail space being phased out by other retailers. The company is continually on the alert to acquire such space when locations fit into overall strategies.

Retail store space added in 1974

	Gross Store Space (000 Square Feet)
Mobile, (Springtime Mall) AL	163
Montclair, CA	156
San Mateo, CA	161
Altamonte, (Interstate Mall) FL	165
Boca Raton, (Boca Mall) FL	120
Hialeah, (Palm Springs Center) FL	130
Miami, (Midway Mall) FL	130
Joliet, (Jefferson Mall) IL	125
Moline, (South Park Mall) IL	124
Des Moines, (Merle Hay Plaza) IA	158
Shreveport, (South Park Center) LA	150
Hagerstown, (Valley Mall) MD	124
Rosedale, (Golden Ring Mall) MD	167
Utica, (Riverside Mall) NY	124
Brownsville, (Amigoland Mall) TX	114
El Paso, (Cielo Vista Mall) TX	180
Rutland, (Rutland Mall) VT	59
Morgantown, (Mountaineer Mall) WV	93
Fond du Lac, (Forest Mall) WI	60

During the next five years, Ward plans to open an average of 15 new stores per year, averaging over 90,000 square feet each of selling space. This will increase new store selling space by more than 25%. As new stores are opened, the company will continue to close small older stores that become marginal. At the present time, Ward has 109 older stores built before 1938.

New catalog stores opened

As older retail stores are phased out, Ward maintains service to consumers in those communities with either a catalog agency or one of our new limited line catalog-retail stores. These new stores maintain several lines of merchandise in stock for sale at retail and operate catalog desks through which customers may order any of the 100,000 items listed in catalogs. The merchandise lines retailed at these stores include paints, appliances, automobile accessories and tires.

At the end of 1974, Ward was operating 175 of these catalog-retail stores along with 384 conventional catalog stores. Ward plans to open approximately 25 new catalog-retail stores each year. In 1974, 26% of catalog sales came in through stores operated by the catalog division.

Modern full-line department stores in major markets, supplemented by retail and catalog units in smaller communities, are bringing Ward products to new consumers.

Catalog order desks in 446 retail stores produced 35% of 1974 catalog sales, while direct mail accounted for 9%.

Catalog agencies serve small towns

While the major portion of Ward's future growth will come from large urban and suburban population centers, Ward is also entering smaller markets by establishing sales agencies in these communities. During the ten years this program has been in existence, Ward has established 1,239 of these agencies, all owned and operated by independent businessmen. Agencies generated 30% of catalog sales in 1974.

Ward established 69 catalog sales agencies last year. Plans also provide for conversion of small retail and catalog stores to sales agencies as well as opening new agencies in new markets.

Ward catalog operations are improving productivity with computerization of customer orders and records, credit and accounting functions and inventory management. In 1975, Ward will complete a redesigned order input system which will speed the handling of catalog orders. New equipment being installed at all 2,244 catalog order locations will permit a customer order written before closing time in the store to be available for processing the same night in catalog houses.

Merchandising to improve productivity

The primary goal of the company's retail merchandising activities is the improvement of productivity of our retail selling space. In 1974, Ward stores averaged sales of $116 per square foot of retail selling space, including sales of catalog order desks located in retail stores. This was 5.5% higher than 1973 sales of $110 per square foot. Productivity will keep improving as mature new stores, generally those open for three years or more, become an increasingly dominant element in the retail chain.

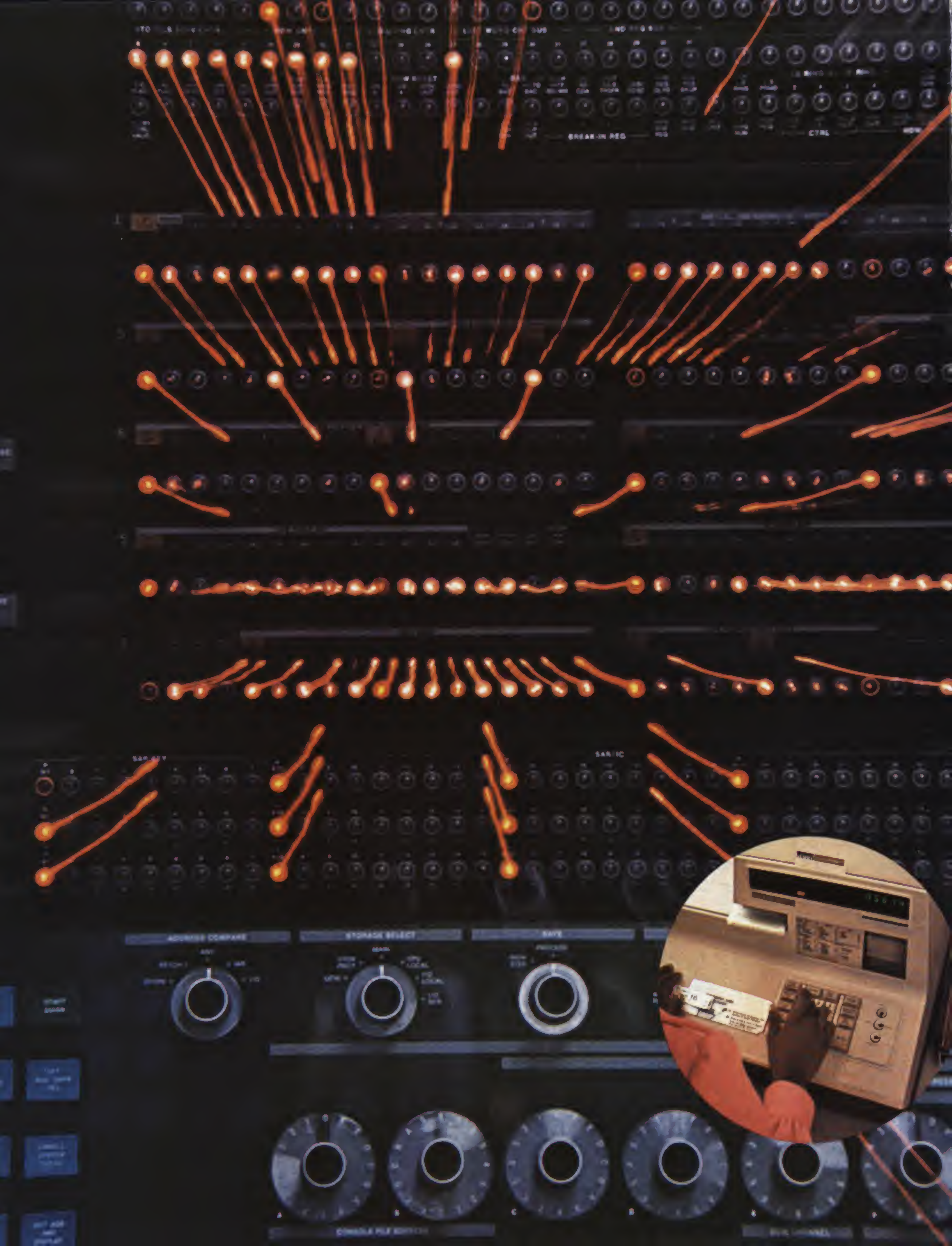
A key factor in productivity improvement is Ward's merchandising organization. Ward plans to strengthen the aggressive promotion and pricing programs which have made it possible for Ward to outperform its principal competitors in the past two years. Promotional merchandise selection, pricing, timing, and direction are determined at quarterly meetings involving both merchandising and field management. The primary concentration is on promoting quality merchandise offered at lower prices than competition. These promotions, designed to increase store traffic and generate incremental sales, will be further strengthened in 1975.

Ward is upgrading its in-store displays, with primary concentration on fashion departments. Ward continues to invest in display fixtures to increase the density of merchandise displayed in selling areas, while developing an aesthetically pleasing environment. In the company's full-line department stores, fashions are displayed in attractive, contemporary boutique-like settings which invite consumers to shop for complete ensembles, rather than restricting their choice to single items of apparel.

Computerization increases efficiency

Improvements in efficiency and reduction of expenses are being accomplished through increased application of computer systems to various operations of the company. Numerous retail accounting functions are being transferred from retail stores to computerized administrative centers. During 1974, Ward completed the computerization of a nationwide system of instantaneous positive credit authorization at the point-of-sale. In addition to expediting service to credit customers, the system signals lost or stolen credit cards and reduces the potential for delinquency.

Merchandise selections, sharp pricing and aggressive promotions generate traffic and increase sales to improve productivity of selling space in Ward's stores.



BREAK-IN REG
CTRL
ADDRESS COMPARE
STORAGE SELECT
RATE

The electronic cash registers record and relay sales, accounting and merchandise data to computer centers. They are an important element in a computerized basic merchandise replenishment system now being established in selected merchandise departments. Implementation of this system on a company-wide basis will greatly increase internal merchandising efficiency. Sales and profit performance will ultimately be improved by reducing inventory-to-sales ratios, improving customer and source service, reducing seasonal carry-overs, increasing inventory turnover, and providing merchandisers will detailed and up-to-date information on local, regional, and national sales trends.

Distribution system strengthened

Montgomery Ward is strengthening its distribution system by reducing transportation and warehousing expenses and improving service to its customers. Important elements in this system are the company's merchandise consolidation and distribution centers, which sort and consolidate merchandise received from sources for shipment directly to stores or warehouses, speeding delivery and reducing rail and trucking costs.

Approximately 1.4 million square feet of warehouse space was added in 1974 to the company's distribution system, primarily to support multiple store operations in metropolitan districts with centralized storage for delivery of furniture, appliances, and other large items. During the year, six new warehouses were opened and major expansions of four other units were completed.

In 1974 Ward began operation of a new distribution pool to provide rapid replenishment and balanced inventory of tools, kitchenware, hardware, and other small ticket items in midwestern stores. Two new regional distribution pools for plumbing, heating, and building materials also were added to the system.

Ward executives promoted

Effective February 1, responsibility for merchandise distribution, warehousing, inventory control, and computer systems was centralized under Richard L. Abbott, who was elected an executive vice president of Ward. His former responsibilities as vice president and manager of the company's New York buying offices were assigned to William F. Ryan, who was elected a vice president.

Corporate facilities development and long-range planning for all Ward operations were centralized and assigned to executive vice president Frederick H. Veach.

Chett A. Eckman, vice president responsible for corporate catalog operations since 1970, has been assigned additional responsibilities as vice president and general operating manager.

William D. Davis, formerly manager of Ward's Los Angeles metropolitan district, was named vice president and general manager of the western region.

Merchandising and sales are supported by extensive transportation, distribution and warehousing systems, using sophisticated computerization and mechanization systems.

Directors and Officers

Edward S. Donnell
Chairman of the Board and Chief Executive Officer

Sidney A. McKnight
President and Chief Administrative Officer

Robert E. Brooker
Chairman, Executive Committee

Executive Vice Presidents
Richard L. Abbott
Harold F. Dysart
James Lutz
Frederick H. Veach

Vice Presidents
William D. Davis
John D. Foster
J. Burke Gelling
Robert M. Harrell
Peter T. Jones
John A. Marchese
Martin D. Munger
Charles W. Wagner
Curtis L. Ward
Gordon R. Worley

Other Directors

Julius Mufson
President, Jefferson Stores

James Q. Riordan
Director, Senior Vice President for Finance, Mobil Oil Corporation

Leo H. Schoenhofen
Chairman of the Board and Chief Executive Officer Marcor Inc

Lawrence M. Woods
Vice President for Planning and Economics, Mobil Oil Corporation

Other Officers

Vice Presidents
Sanford W. Allred
Reuben W. Berry
Ashley D. DeShazor
Chett A. Eckman
Robert V. Guelich
William J. Harbeck
Patrick J. Head
Dean R. Lewis
Phillip I. Lifschultz
Herman A. Nater
Charles J. Ritzen
William F. Ryan
Richard C. Scheidt

Treasurer
William J. Sinkula

Assistant Vice Presidents
Leo J. Leydon
Cecil O. Ligon
Edward A. Malone
William M. Moxley
Rita A. Perna
William J. Schroeder
John B. Stark

Assistant Treasurers
Bruce B. Gobeyn
James C. Morton
Lawrence A. Ward

Assistant Secretaries
Karl J. Bemesderfer
Mark C. Curran
Hugh C. Johnson
James C. McWaters
G. T. Morgan
Joseph R. Petr
Robert K. Scott
Irwin J. Shapiro
William P. Terry
William A. Voss

Summary of Marcor Operations

Management discussion and analysis of Marcor summary of earnings for fiscal 1973 and 1974

Net sales of both Container Corporation and Montgomery Ward increased significantly during the fiscal years 1973 and 1974 due to favorable supply-demand relationships in the paperboard packaging industry, favorable consumer buying environments in 1973, and aggressive merchandising by Ward in both 1973 and 1974. For both companies, the unusually high inflation rate increased sales in 1974 although the increases were tempered by deteriorating consumer economic activity in 1974 and a reduced demand for shipping containers in the last quarter of 1974.

Cost of goods sold and operating, selling, administrative and research expenses increased for Ward and Container during both years, basically in relation to sales increases and inflationary pressures, except that Container's costs did not increase proportionately to net sales and its high operating levels resulted in lower fixed cost per unit of output. During fiscal 1974, Container's costs and expenses increased sharply, but were more than offset by the high level of sales for most of the year. Ward's expenses increased due to inflationary pressures on operating expenses during fiscal 1974.

Interest expense of Ward increased sharply during both years due to higher borrowings to finance customer accounts receivable and inventory and higher interest rates, particularly short-term rates.

Net earnings increased in fiscal 1973 for both Ward and Container due to the favorable factors described under net sales. In fiscal 1974, Container's improved operating results, particularly during the first three quarters, more than offset the reduced profits of Ward which were due to deteriorating consumer spending and higher interest costs. Fiscal 1973 earnings were reduced by approximately $4.4 million to provide for the liquidation of the company's investment in the housing field. Fiscal 1974 earnings were reduced by $4.5 million, the loss on the sale of Pioneer Trust & Savings Bank, and by $13.7 million due to accounting changes for LIFO inventories and store pre-operating expenses. The LIFO method is considered to be preferable because it more closely matches current costs with current revenues in periods of price level changes; under the LIFO method, current costs are charged to cost of sales for the year.

Summary of Earnings (A) ($ millions except per share amounts)	1974	1973	1972
Net sales	$4,667.5	$4,077.4	$3,369.3
Costs and expenses:			
Cost of goods sold	$3,379.9	$2,951.5	$2,429.4
Operating, selling, administrative and research expenses	886.6	818.3	720.8
Interest expense	174.9	127.5	87.0
Provision for taxes on income (C)	105.7	83.4	59.4
Net earnings before change in accounting policy(B)(C)	$ 120.4	$ 96.7	$ 72.7
Effect of change in policy related to store pre-operating expense	4.7	—	—
Net earnings (B)(C)	$ 115.7	$ 96.7	$ 72.7
Financial Data			
Accounts receivable—parent and consolidated subsidiaries	$ 339.2	$ 369.6	$ 269.7
Accounts receivable—owned by credit subsidiary	1,880.1	1,512.7	1,158.0
Inventories	958.4	850.1	709.1
Net investment in properties and equipment	1,087.1	984.3	930.6
Additions to properties and equipment	214.8	202.6	150.6
Depreciation and amortization	80.0	75.9	71.5
Long-term debt	742.4	741.1	736.0
Stockholders' equity (B)(C)	1,309.4	1,028.9	957.2
Book value per share (D)	28.77	26.60	24.58
Primary earnings per share (B)(D)	3.40	3.01	2.17
Fully diluted earnings per share (B)(D)	2.63	2.32	1.77
Cash dividends per common share (D)(E)	.97½	.87½	.80
Market History (Calendar year basis)			
Market price range of common shares (D)	28⅛-13¼	29⅝-17¾	31⅜-21
Closing price year-end (D)	13⅞	20	28⅝
Year-end price-earnings ratio (fully diluted earnings)	5	9	16

(A)
The Statement of Major Accounting Policies on page 19 and the Financial Information on pages 25 through 33 should be read in conjunction with the above Summary of Earnings.

(B)
Includes net provision of $4.4 in 1973 for estimated loss from liquidation of housing operations described on page 33.

Includes net loss of $4.5 in 1974 from sale of Pioneer Trust & Savings Bank. See page 28.

Calculations of earnings per share explained on page 26.

LIFO accounting changes in 1974 described on page 25.

Pre-operating accounting change in 1974 described on page 25.

(C)
Amounts prior to November 1, 1968 have been reduced by the portions applicable to Container Corporation shares exchanged for debentures at that date.

(D)
Adjusted for two-for-one stock split June 9, 1970.

(E)
Dividends prior to November 1, 1968 are those paid on common shares of Montgomery Ward & Co., Incorporated.

1971	1970	1969	1968	1967	1966	1965
$2,998.5	$2,804.8	$2,715.2	$2,500.7	$2,352.3	$2,354.5	$2,154.0
$2,179.1	$2,010.5	$1,935.5	$1,791.0	$1,730.7	$1,732.3	$1,578.5
632.7	589.5	564.9	526.7	484.3	482.4	448.5
85.7	90.9	84.2	55.9	44.6	48.4	33.9
43.5	54.3	63.6	53.3	29.5	27.8	31.6
$ 57.5	$ 59.6	$ 67.0	$ 53.8	$ 37.4	$ 36.7	$ 40.1
—	—	—	—	—	—	—
$ 57.5	$ 59.6	$ 67.0	$ 53.8	$ 37.4	$ 36.7	$ 40.1
$ 266.9	$ 311.1	$ 324.9	$ 226.7	$ 237.0	$ 257.5	$ 214.2
890.0	710.0	851.5	821.1	663.3	622.0	661.6
629.9	598.5	530.8	499.4	448.0	457.1	445.2
937.2	831.7	750.4	706.5	602.3	580.5	523.4
173.4	159.8	136.3	99.7	95.9	101.9	104.7
63.7	54.1	50.2	47.4	45.4	41.7	37.6
726.6	627.9	652.5	642.9	299.8	270.1	259.2
920.7	896.0	859.3	817.6	791.7	777.5	762.9
23.38	23.00	22.07	20.62	19.71	19.09	18.52
1.64	1.77	2.09	1.57	.93	.90	1.02
1.42	1.50	1.72	1.36	.93	.90	1.01
.80	.72½	.50	.50	.50	.50	.50
38⅞-26⅜	30⅞-18⅜	32¼-20⅝				
30⅞	29¼	22⅝				
22	20	13				

Quarterly earnings of Marcor Inc. for the past two years are stated at right. The net earnings for each quarter have been presented in accordance with Accounting Principles Board Opinion No. 28 regarding interim financial reporting. The net earnings for each quarter in 1973 have been restated in accordance with these interim financial reporting requirements. This restatement results from estimating the effect on the interim periods of the year-end inventory valuation adjustments of Montgomery Ward and such restatement does not affect the previously issued financial statements for the year ended January 31, 1974.

In the fourth quarter of 1974 the domestic operations of Container Corporation of America and Hydro Conduit Corporation, subsidiaries of Marcor Inc., and Standard T Chemical Company Inc., a subsidiary of Montgomery Ward & Co., Incorporated, changed their method of inventory pricing (effective as of the beginning of fiscal 1974) from principally a lower of average cost or market method to the LIFO method. The effect of this change on the previously reported net earnings and earnings per share for the first three quarters of 1974 and for the fourth quarter is shown at the right.

Montgomery Ward provides monthly for inventory shrinkage by charging approximately .6% of sales to cost of sales. At year end, after taking the physical inventory, the difference between this provision and the actual shrinkage is credited or charged to cost of sales. This procedure resulted in additions to fourth quarter net earnings of \$7.4 million in 1974 and \$6.6 million in 1973 above that which would have been reported if the actual shrinkage had been prorated over all four quarters based on sales.

Restatement of Quarterly Earnings

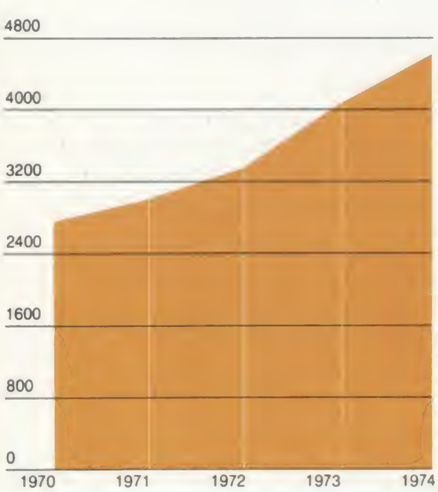
		($ thousands)		Earnings Per Share			
				Increase (Decrease)		Restated	
	Quarter	Increase (Decrease) in Net Earnings	Restated Net Earnings	Primary	Fully Diluted	Primary	Fully Diluted
1973	First	$ 2,515	$ 20,114	$ .09	$ .06	$ .61	$ .49
	Second	1,620	20,996	.06	.03	.65	.50
	Third	2,481	24,191	.09	.06	.75	.58
	Fourth	(6,616)	31,351	(.24)	(.15)	1.00	.75
	Total	—	$ 96,652	—	—	$3.01	$2.32
1974	First	$(2,329)	$ 28,951	$(.08)	$(.05)	$ .91	$ .69
	Second	(2,808)	29,910	(.10)	(.07)	.93	.71
	Third	(2,379)	28,281	(.08)	(.05)	.82	.64
	Fourth	(1,552)	28,582	(.05)	(.04)	.74	.59
	Total	$(9,068)	$115,724	$(.31)	$(.21)	$3.40	$2.63

Dividend and Market History

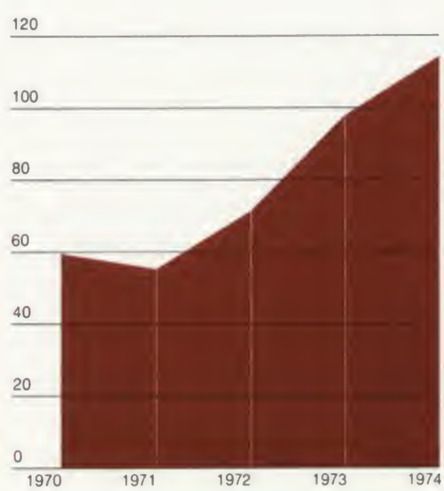
		Common Stock Prices		Series A Preferred Stock Prices		Dividends Paid Per Share	
	Quarter	Low	High	Low	High	Common Stock	Series A Preferred
1973	First	20½	29⅝	44¼	59⅜	$0.20	$0.50
	Second	18	23½	38	47	0.225	0.50
	Third	17¾	28⅜	37¾	57¼	0.225	0.50
	Fourth	18½	28	37	55½	0.225	0.50
						$0.875	$2.00
1974	First	19⅝	26⅜	39¼	52¼	$0.225	$0.50
	Second	21⅞	28⅛	43½	56½	0.25	0.50
	Third	14¾	28	29½	55¼	0.25	0.50
	Fourth	13¼	18⅜	26½	36	0.25	0.50
						$0.975	$2.00

Details on dividends paid on the company's common and Series A preferred stocks are for the past two fiscal years while high and low prices of these securities on the New York Stock Exchange are for calender years as reported by the National Quotations Bureau.

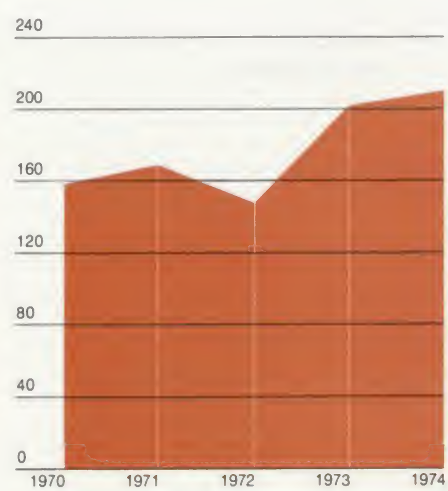
Marcor Net Sales
millions of dollars



Marcor Net Earnings
millions of dollars



Marcor Capital Expenditures
millions of dollars



Major Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of all significant subsidiaries other than those principally engaged in financial services (Montgomery Ward Credit Corporation, Montgomery Ward Life Insurance Company, Signature Agency, Inc. and Pioneer Trust & Savings Bank, which was sold in September, 1974). The Company's investments in subsidiaries which are not consolidated, and in companies 20% to 50% owned, are accounted for on the equity method. Marcor's share of the pretax earnings of these companies is included in consolidated earnings before taxes on income, and the provision for taxes on income is included in the consolidated provision.

Inventories

The valuation of retail store inventories is determined by the retail inventory method which prices individual items at current selling prices and reduces the amounts so determined to the lower of cost or market by applying departmental markup ratios. All other merchandising inventories are priced by individual items at the lower of cost (first-in, first-out method) or market (generally at current replacement cost). Manufacturing inventories are priced to include the costs of raw materials, labor and overhead. The domestic manufacturing inventories are priced principally using the last-in, first-out method; other manufacturing inventories are generally priced at the lower of average cost or market (generally at current replacement cost), which was the method also used to value the domestic manufacturing inventories prior to 1974. The effect of this change in pricing is discussed on page 25. The merchandising inventories reflect physical counts as of the respective year-end dates. Other inventories are counted on a cycle basis.

Properties and depreciation

Depreciation is provided on the straight-line method. Leasehold improvements are amortized over the shorter of estimated physical life or the term of the lease. Cost of timber harvested is based on units cut and the per unit cost of estimated recoverable timber. Maintenance and repairs are charged directly to earnings. Renewals and betterments of fixed assets are charged to property and equipment accounts. Upon retirement or disposition, the cost and the depreciation or amortization previously provided are removed from the accounts. Gains or losses on such retirements are included in earnings.

Deferred federal taxes on income

The Company provides currently for federal taxes on income on all items included in the Statement of Earnings, regardless of when such taxes are payable. For federal income tax purposes, the gross profit from installment sales (which is included in income at time of sale for financial reporting purposes) is deferred until the receivables arising from such sales are collected, and the related deferred taxes are classified as a current liability. This liability is reduced by the net future tax benefits arising from other timing differences relating to current assets and liabilities. Taxes which have been deferred due to the use of accelerated depreciation for income tax purposes are classified as a non-current liability.

Investment tax credit

The reduction in federal income taxes resulting from the investment tax credit for new property and equipment is reflected in the Statement of Earnings currently.

Pre-operating expenses

During 1974, Montgomery Ward adopted the policy of charging to expense as incurred all expenditures of a non-capital nature incurred prior to the opening of a new or relocated store. Prior to 1974 these costs were amortized over a 36-month period following the store opening date. The effect of this change in policy is discussed on page 25. Pre-operating expenses of manufacturing facilities are generally charged to expense as incurred. Acquisition costs of the insurance business secured by the life insurance subsidiary are deferred and amortized over the estimated life of the business secured.

Lease obligations

As a general rule long-term leases are not capitalized unless the terms of the lease include an option to purchase at such a price that the rentals clearly represent the purchase of an economic interest. Generally, leases for retail stores do not include such purchase options and are not capitalized.

Capitalized interest expense

The Company follows the practice of capitalizing interest costs incurred relating to construction in progress, since such interest is considered an integral part of the cost of the property. If these costs had not been capitalized, net earnings would have been reduced by $1,466,000 in 1974, and $589,000 in 1973.

Overseas subsidiaries

The consolidated financial statements include the Company's significant overseas subsidiaries. Accounts of overseas subsidiaries are translated to U.S. dollars based on official or free rates of exchange as follows: plant and equipment accounts at historic rates; other assets and liabilities at rates in effect at the end of the year; income accounts (with exception of depreciation which is translated at historic rates) at the applicable current rates during the year. The Company maintains a reserve for possible reduction of asset values occasioned by currency devaluations. Translation gains and losses from currency fluctuations and devaluations are included in the reserve when incurred, with the exception of certain regularly recurring losses which are charged to earnings currently.

Provisions to the reserve are charged against earnings from time to time to maintain an adequate reserve balance. No provision is made for foreign withholding or U.S. income taxes on substantially all the undistributed earnings of overseas subsidiaries since the Company intends to reinvest permanently that portion not remitted as dividends.

Provision for credit losses

Provision for credit losses on Montgomery Ward's customer accounts is made to maintain adequate reserves to cover anticipated losses. Customer accounts are charged off against the reserve if no payment has been received for nine months or if notices are received of bankruptcy, fraud, death without estate or confinement to an institution.

Cost of acquiring subsidiaries

Substantially all costs of acquiring subsidiary companies in excess of the underlying book value of assets resulted from transactions prior to October 31, 1970 and are not amortized. Such costs resulting from transactions after that date are amortized over 40 years unless the values are assigned to specific identifiable assets, in which case the period of amortization is the remaining life of the specific asset.

Retirement plans

The provision charged to earnings each year is sufficient to cover the normal cost of the retirement plan including amortization of unfunded liabilities and interest on the unfunded past service liability. Costs of the retirement plan are funded on a discretionary basis.

Statement of Earnings

Fiscal years ended January 31,	1975	1974
Net sales	$4,667,479,000	$4,077,415,000
Costs and expenses:		
Cost of goods sold	$3,379,946,000	$2,951,573,000
Operating, selling, administrative and research expenses	886,547,000	818,293,000
Interest expense (net of interest capitalized of $3,278,000 in fiscal 1974 and $2,013,000 in fiscal 1973)	174,949,000	127,515,000
Provision for taxes on income	105,662,000	83,382,000
Total costs and expenses	$4,547,104,000	$3,980,763,000
Net earnings before cumulative effect of change in accounting policy	$ 120,375,000	$ 96,652,000
Cumulative effect on prior years of change in accounting policy related to store pre-operating expense	4,651,000	—
Net earnings	$ 115,724,000	$ 96,652,000

Net Earnings Per Common Share

Fiscal years ended January 31,	1975		1974	
	Primary	Fully Diluted	Primary	Fully Diluted
Net earnings per share before cumulative effect of change in accounting policy	$3.56	$2.74	$3.01	$2.32
Cumulative effect on prior years of change in accounting policy related to store pre-operating expense	.16	.11	—	—
Net earnings per share	$3.40	$2.63	$3.01	$2.32

Statement of Earnings Reinvested

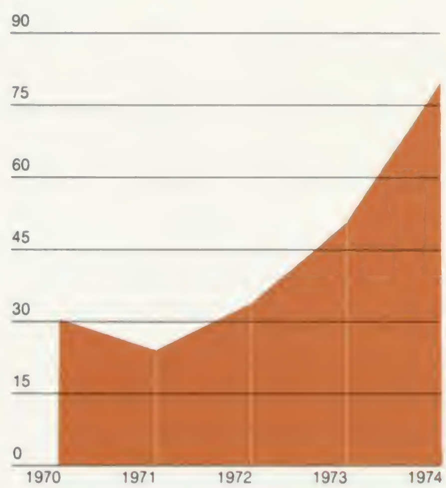
Fiscal years ended January 31,	1975	1974
Balance at beginning of year	$ 740,075,000	$ 680,222,000
Net earnings	115,724,000	96,652,000
Total	$ 855,799,000	$ 776,874,000
Cash dividends		
Preferred stock:		
Series A ($2.00 per share)	$ 11,353,000	$ 12,357,000
Series B ($.5382 per share in fiscal 1974)	4,306,000	—
Common stock ($.97½ per share in fiscal 1974 and $.87½ per share in fiscal 1973)	28,477,000	24,442,000
Total dividends	$ 44,136,000	$ 36,799,000
Balance at end of year	$ 811,663,000	$ 740,075,000

The Statements of Major Accounting Policies on page 19 and the Financial Information on pages 25 through 33 are an integral part of these statements.

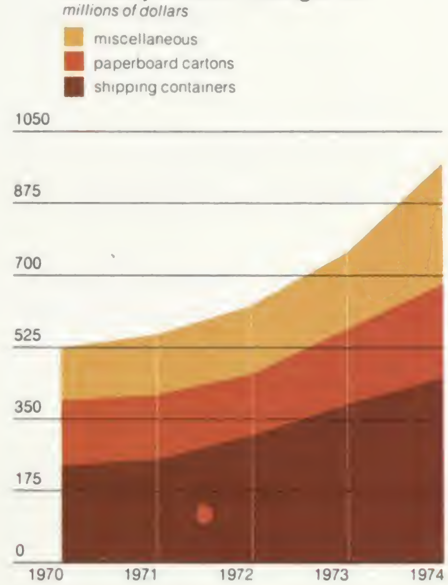
Statement of Changes in Financial Position

Fiscal years ended January 31,	1975	1974
Net earnings	$115,724,000	$ 96,652,000
Depreciation, amortization and cost of timber harvested	79,981,000	75,911,000
Deferred federal taxes on income	71,471,000	49,056,000
Earnings of unconsolidated subsidiaries and affiliates net of dividends received	(42,628,000)	(31,544,000)
Total provided from operations	$224,548,000	$190,075,000
Proceeds from sale of Series B preferred stock	200,000,000	—
Proceeds from sale of Pioneer Trust & Savings Bank	24,000,000	—
Sale of property (principally sale-leasebacks)	31,975,000	64,625,000
Long-term financing	20,670,000	35,934,000
Decrease (increase) in prepaid expense	5,780,000	(1,660,000)
Proceeds from stock options exercised	5,215,000	3,062,000
Increase in short-term loans and current portion of long-term debt	316,000	16,000,000
Increase in taxes on income currently payable	1,741,000	4,630,000
Decrease in treasury common stock	930,000	8,820,000
Other, net	5,695,000	7,528,000
Total source of funds	$520,870,000	$329,014,000
Property additions and improvements	$214,796,000	$202,589,000
Cash dividends	44,136,000	36,799,000
Reduction of long-term debt	19,401,000	30,842,000
Increase in inventories	108,254,000	140,996,000
Increase in receivables	5,277,000	58,921,000
Increase in investments and other assets	71,279,000	35,943,000
Decrease (increase) in notes payable to affiliates	12,333,000	(14,908,000)
Decrease (increase) in accounts payable and accrued expenses	23,983,000	(160,868,000)
Total disposition of funds	$499,459,000	$330,314,000
Increase (decrease) in cash and marketable securities	$ 21,411,000	$(1,300,000)

Container Corporation
Net Operating Earnings
before parent company interest charges
millions of dollars



Container Corporation
Sales by Product Categories
millions of dollars



Marcor Inc. and Consolidated Subsidiaries

Balance Sheet

Assets	January 31, 1975	January 31, 1974
Current assets:		
Cash	$ 73,342,000	$ 40,050,000
Marketable securities, at cost which approximates market	8,091,000	19,972,000
Receivables, less reserves	339,154,000	369,577,000
Note receivable from Montgomery Ward Credit Corporation	35,700,000	—
Inventories	958,365,000	850,111,000
Prepaid expenses	54,543,000	60,323,000
Total current assets	$1,469,195,000	$1,340,033,000
Investments and other assets	$ 432,521,000	$ 342,614,000
Properties and equipment, at cost:		
Land	$ 90,881,000	$ 85,671,000
Timberlands, less cost of timber harvested	82,693,000	76,957,000
Buildings	462,927,000	442,827,000
Leasehold improvements	108,066,000	83,394,000
Machinery, fixtures and equipment	992,532,000	895,792,000
	$1,737,099,000	$1,584,641,000
Less — accumulated depreciation and amortization	649,967,000	600,349,000
Properties and equipment, net	$1,087,132,000	$ 984,292,000
Unamortized financing costs	$ 4,107,000	$ 4,410,000
Excess of cost of acquired subsidiaries over underlying book value at dates of acquisition	$ 176,068,000	$ 176,136,000
Total assets	$3,169,023,000	$2,847,485,000

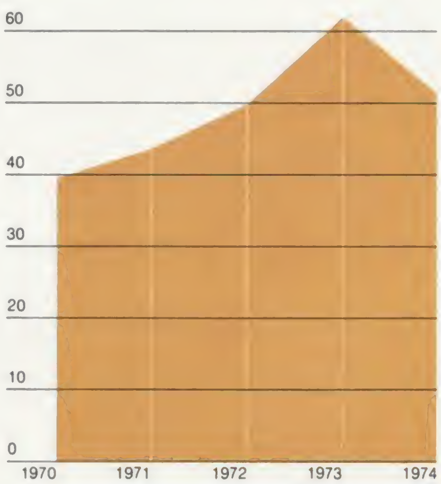
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term loans and current portion of long-term debt	$ 42,781,000	$ 42,465,000
Notes payable to affiliates	2,575,000	14,908,000
Accounts payable and accrued expenses	660,448,000	684,431,000
Federal taxes on income:		
Currently payable	10,422,000	8,681,000
Deferred (primarily relating to installment receivables)	283,081,000	227,890,000
Total current liabilities	$ 999,307,000	$ 978,375,000
Deferred federal taxes on income (relating to accelerated depreciation)	$ 94,528,000	$ 78,248,000
Long-term debt, less amounts due within one year:		
Senior indebtedness	$ 373,289,000	$ 371,176,000
Subordinated indebtedness	269,822,000	269,952,000
Convertible subordinated indebtedness	99,286,000	100,000,000
Total long-term debt	$ 742,397,000	$ 741,128,000
Minority interest in subsidiaries	$ 23,346,000	$ 20,785,000
Stockholders' equity:		
Series A preferred stock at stated value	$ 41,759,000	$ 48,332,000
Series B preferred stock at stated value	200,000,000	—
Common stock at stated value	259,124,000	244,729,000
Earnings reinvested	811,663,000	740,075,000
	$1,312,546,000	$1,033,136,000
Less — treasury common stock, at cost	3,101,000	4,187,000
Total stockholders' equity	$1,309,445,000	$1,028,949,000
Total liabilities and stockholders' equity	$3,169,023,000	$2,847,485,000

The Statements of Major Accounting Policies on page 19 and the Financial Information on pages 25 through 33 are an integral part of these statements.

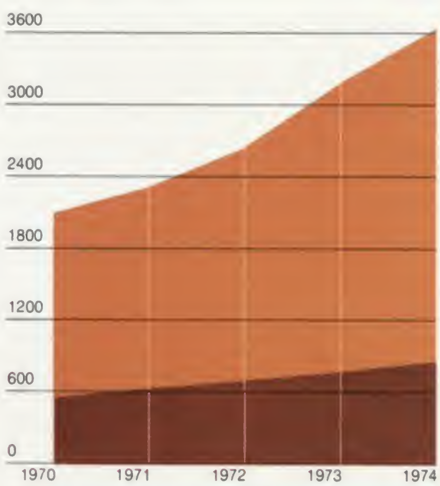
Principal Subsidiaries of Marcor Inc.

Condensed Balance Sheets	Montgomery Ward & Co., Incorporated and consolidated subsidiaries		Container Corporation of America and consolidated subsidiaries	
Assets	January 29, 1975	January 30, 1974	January 31, 1975	January 31, 1974
Current assets:				
Cash	$ 59,678,000	$ 34,771,000	$ 7,111,000	$ 5,736,000
Marketable securities	4,130,000	6,147,000	3,246,000	13,777,000
Receivables, net	227,078,000	251,632,000	100,886,000	104,482,000
Receivables from affiliates	35,700,000	15,736,000	94,585,000	3,860,000
Inventories	826,197,000	753,354,000	121,056,000	87,145,000
Prepaid expenses	46,036,000	44,553,000	20,336,000	16,801,000
Total current assets	$1,198,819,000	$1,106,193,000	$347,220,000	$231,801,000
Investments and other assets	405,615,000	327,520,000	30,145,000	28,000,000
Properties and equipment, net	540,157,000	479,681,000	477,053,000	433,243,000
Unamortized financing costs	1,489,000	1,608,000	1,217,000	1,319,000
Excess of cost of acquired subsidiaries over underlying book value at dates of acquisition	4,645,000	4,701,000	6,605,000	6,605,000
Total assets	$2,150,725,000	$1,919,703,000	$862,240,000	$700,968,000
Liabilities and Equity				
Current liabilities:				
Short-term loans and current portion of long-term debt	$ 3,174,000	$ 10,754,000	$ 36,463,000	$ 28,576,000
Accounts payable and other current liabilities	518,263,000	558,257,000	163,177,000	131,207,000
Payable to affiliates	110,436,000	14,908,000	—	—
Deferred federal taxes on income (primarily relating to installment receivables)	213,091,000	210,396,000	—	—
Total current liabilities	$ 844,964,000	$ 794,315,000	$199,640,000	$159,783,000
Deferred federal taxes on income	47,614,000	40,211,000	40,842,000	36,451,000
Long-term debt	205,927,000	204,647,000	153,131,000	149,720,000
Minority interest in subsidiaries	—	—	23,346,000	20,785,000
Equity of Marcor Inc.	1,052,220,000	880,530,000	445,281,000	334,229,000
Total liabilities and equity	$2,150,725,000	$1,919,703,000	$862,240,000	$700,968,000

Montgomery Ward
Net Operating Earnings
before parent company interest charges
millions of dollars



Montgomery Ward Sales
millions of dollars
retail sales
catalog sales



Principal Subsidiaries of Marcor Inc.

Condensed Statement of Earnings

Montgomery Ward & Co., Incorporated and consolidated subsidiaries	52-week period ended January 29, 1975	January 30, 1974
Net sales	$3,622,735,000	$3,230,895,000
Costs and expenses:		
Costs of products and merchandise sold	$2,579,727,000	$2,286,513,000
Operating, selling, administrative and research expenses	799,711,000	739,463,000
Interest expense	143,867,000	92,665,000
Provision for taxes on income	43,314,000	50,203,000
Total costs and expenses	$3,566,619,000	$3,168,844,000
Net earnings before cumulative effect of change in accounting policy and parent company interest charges	$ 56,116,000	$ 62,051,000
Cumulative effect on prior years of change in accounting policy related to store pre-operating expense	4,651,000	—
Net earnings before parent company interest charges	$ 51,465,000	$ 62,051,000
Interest expense allocated from parent company, less applicable taxes on income	7,172,000	7,184,000
Net earnings	$ 44,293,000	$ 54,867,000

Note:
Depreciation and amortization included in costs and expenses totalled $37,995,000 and $34,456,000 in the 52 weeks ended January 29, 1975 and January 30, 1974, respectively.

Condensed Statement of Earnings

Container Corporation of America and consolidated subsidiaries	Fiscal year ended January 31, 1975	January 31, 1974
Net sales	$ 964,690,000	$ 767,477,000
Costs and expenses:		
Costs of products and merchandise sold	$ 734,226,000	$ 597,616,000
Operating, selling, administrative and research expenses	68,206,000	60,893,000
Interest expense	8,582,000	10,326,000
Provision for taxes on income	74,523,000	48,213,000
Total costs and expenses	$ 885,537,000	$ 717,048,000
Net earnings before parent company interest charges	$ 79,153,000	$ 50,429,000
Interest expense allocated from parent company, less applicable taxes on income	4,557,000	4,557,000
Net earnings	$ 74,596,000	$ 45,872,000

Note:
Depreciation, amortization and cost of timber harvested included in costs and expenses totalled $37,077,000 and $36,944,000 in the fiscal years ended January 31, 1975 and January 31, 1974, respectively.

Acquisition of voting control of Marcor by Mobil Oil Corporation was completed in September, 1974 when Mobil Oil Corporation purchased 8,000,000 shares of Series B preferred stock from Marcor for $200,000,000. This stock, together with other equity securities of Marcor Inc. acquired by Mobil in connection with a tender offer and securities previously acquired, provide Mobil with approximately 54% of the voting power of outstanding equity securities of Marcor Inc.

The last-in, first-out (LIFO) method of determining inventory cost was adopted as of February 1, 1974 for a substantial portion of the domestic operations of Container Corporation of America, Hydro Conduit Corporation and a manufacturing subsidiary of Montgomery Ward & Co., Incorporated. These companies had previously used, for the most part, the lower of average cost or market method. The new method is considered to be preferable because it more closely matches current costs with current revenues in periods of price level changes; under the LIFO method, current costs are charged to cost of sales for the year. This change in the method of accounting for inventories had the effect of reducing net earnings for the fiscal year ended January 31, 1975 by $9,068,000 (31 cents per common share and common equivalent share and 21 cents per common share assuming full dilution) below that which would have been reported using the previous inventory pricing method.

If the previous inventory pricing method had been used, inventories would have been $17.6 million higher than those reported at January 31, 1975. At the end of 1974 inventories of $79 million were priced using the LIFO method. A summary of inventories for Marcor follows:

($ millions)	January 31, 1975	1974	% Increase
Montgomery Ward	$826.2	$753.4	9.7
Container Corporation	121.1	87.1	39.0
Other	11.1	9.6	15.6
Total	$958.4	$850.1	12.7

Store pre-operating expenses of Montgomery Ward & Co., Incorporated incurred prior to 1974 were amortized over a 36-month period following the store opening date. As of the beginning of fiscal 1974, Ward adopted the policy of charging these costs to expense in the fiscal year incurred. The new method was adopted so as to recognize these costs as a current charge to earnings.

The effect of the change on net earnings (before the cumulative effect on prior years resulting from this change) for the fiscal year ended January 31, 1975, and the proforma effect on net earnings as if the newly adopted principle had been applied during the fiscal year ended January 31, 1974, are not presented as the effect would not be material. The adjustment of $4,651,000 (after reduction of $4,293,000 for income taxes) to apply retroactively the new method is included in the Statement of Earnings for the fiscal year ended January 31, 1975, and was charged in full to the fourth quarter.

Retirement plans of a contributory nature cover a majority of full-time employees of Marcor and its subsidiaries. The total cost provided applicable to these plans, including interest on unfunded past service costs was $21,873,000 in 1974 and $15,497,000 in 1973. The subsidiaries fund the retirement plans on a discretionary basis.

Effective January 1, 1975, Ward amended its Retirement Plan to include, among others, changes in eligibility, vesting, employee contributions and amount of benefits to be received. In addition, on December 31, 1974, Ward discontinued company and employee contributions to its Profit Sharing Plan. Subject to Internal Revenue Service approval, employees' credits under the plan would be converted to supplemental benefits under the Retirement Plan. It is estimated that the increased annual cost (including amortization of past service cost over 40 years) of the amended retirement plan will be $9 million which was the approximate annual cost of the Profit Sharing Plan. Based upon the latest actuarial reviews (using data principally as of the end of 1973), which reflect the provisions of the amended plan of Montgomery Ward effective January 1, 1975, the vested benefits and past service liabilities under the retirement plans of Marcor and its subsidiaries exceeded the assets held by retirement fund trustees (based upon market values as of January 31, 1975) and retirement plan accruals by approximately $11 million and $135 million, respectively.

The Employee Retirement Income Security Act of 1974 requires Marcor and its subsidiaries to amend their retirement plans to conform with certain provisions of the Act which will become effective in 1976. Marcor believes that these changes will not have a significant effect on the past service liabilities and the annual retirement plan costs for 1976 and subsequent years. Also it is estimated that the effect on the vested benefits, net of the retirement fund assets (based upon market values at January 31, 1975) and retirement plan accruals, will be approximately $5 million. In addition, Marcor and its subsidiaries will be required to fund the annual retirement plan costs.

Dividends on common stock were raised to an annual rate of $1.00 per share and totaled $28,477,000 during 1974 and $24,442,000 during 1973. Series A preferred stock dividends of $2.00 per share were $11,353,000 in 1974 and $12,357,000 in 1973. Series B preferred stock dividends were $4,306,000 or $.5382 per share in 1974. Dividend payments represented 38% of Marcor net earnings in 1974 and in 1973.

Earnings per share increased 13% to $3.40 on a primary basis in 1974, compared with $3.01 in 1973. On a fully diluted basis, earnings per share were $2.63 in 1974 and $2.32 last year.

Common stock is $1.00 par value, 70,000,000 shares authorized. Shares issued at January 31, 1975 and 1974 were 30,540,901 and 28,589,972, respectively, of which 111,866 and 150,854 shares, respectively, were in the treasury.

Preferred stock is $1.00 par value issuable in series, and 30,000,000 shares are authorized.

Each share of $2.00 Series A cumulative preferred is convertible into two shares of common and callable at $45 per share. The total liquidating value was $234,529,000 and $272,681,000 at January 31, 1975 and 1974, and 5,211,759 and 6,059,573 shares were issued and outstanding, respectively.

The 8,000,000 shares issued and outstanding of Series B preferred stock ($1.75 per share cumulative dividends through October 15, 1979 and $2.25 per share thereafter) are redeemable at $25 per share by Marcor on October 15, 1979, if approved by Marcor's stockholders other than Mobil Oil Corporation and other holders, if any, of the Series B preferred stock. If called for redemption, the shares may be converted into common on a share-for-share basis, at the option of the owners of the Series B preferred stock. If not redeemed or converted by October 15, 1979, Marcor will make annual sinking fund payments beginning on October 15, 1984, sufficient to redeem 10% of the Series B preferred shares outstanding on May 31, 1984. If Mobil is the owner of the Series B preferred stock at that time, it may defer the sinking fund payments.

Earnings Per Share Calculation for 1974	Common and Common Equivalent Shares	Assuming Full Dilution
Average number of common shares outstanding	29,289,637	29,289,637
Common stock equivalents due to assumed exercise of options	—	45,957
Increase in average number of common shares assuming conversion of convertible debentures and Series A preferred stock	—	13,744,174
Total shares	29,289,637	43,079,768
Net earnings	$115,724,000	$115,724,000
Add-interest on convertible debentures less applicable taxes on income	—	2,616,000
Less:		
Series B preferred dividend requirements	(4,889,000)	(4,889,000)
Series A preferred dividend requirements based on average number of preferred shares outstanding during year	(11,283,000)	—
Net earnings used in calculations	$ 99,552,000	$113,451,000
Net earnings per share	$3.40	$2.63

Summary of Common and Series A Preferred Stock Transactions	Common		Series A Preferred	
	Shares	Amount	Shares	Amount
Balance January 31, 1974	28,589,972	$244,729,000	6,059,573	$48,332,000
Options exercised	237,682	5,091,000	—	—
Preferred shares and debentures converted to common shares	1,713,247	7,467,000	(847,814)	(6,762,000)
Tax benefit applicable to sale of optioned stock by recipients	—	1,923,000	—	189,000
Other	—	(86,000)	—	—
Balance January 31, 1975	30,540,901	$259,124,000	5,211,759	$41,759,000

Common Stock reserved for conversion of outstanding preferred stock and convertible debentures and for the stock option plan totalled 22,041,731 shares at January 31, 1975.

Summary of Treasury Stock Transactions	Common	
	Shares	Amount
Balance January 31, 1974	150,854	$ 4,187,000
Used for acquisitions	(33,029)	(930,000)
Used for options exercised	(5,959)	(156,000)
Balance January 31, 1975	111,866	$ 3,101,000

Summary of Common Stock Option Transactions	Shares
Options outstanding at January 31, 1974	719,270
Options exercised during 1974	(243,641)
Options cancelled and expired during 1974	(10,056)
Options outstanding at January 31, 1975	465,573
Average option price of outstanding options	$ 22.03
Average option price of options exercised during 1974	$ 21.40
Options exercisable at January 31, 1975	245,962

Marcor capital expenditures totalled $214,796,000 in fiscal 1974 and $202,589,000 in 1973. Montgomery Ward expenditures were made primarily to continue expansion of the retail store chain. Three new stores also were added to the Jefferson Store chain in Florida. Container Corporation capital expenditures were primarily for construction of new paperboard mills in South America along with pollution control improvements and projects designed to increase efficiency and capacity of existing facilities. Capital expenditures, including expenditures for properties sold and leased back, for the last five years and the estimate for 1975 are detailed in the table at the right.

Overseas operations of Container Corporation accounted for $0.40 per common share in 1974 (fully diluted) compared with $0.31 in 1973.

Capital Expenditures ($ thousands)

	Montgomery Ward	Container Corporation	Other Subsidiaries	Total Marcor Consolidated
1975 Estimate (unaudited)	$ 87,900	$90,000	$ 3,800	$181,700
1974	123,230	86,863	4,703	214,796
1973	113,079	75,026	14,484	202,589
1972	92,400	40,595	17,600	150,595
1971	97,770	64,139	11,477	173,386
1970	72,998	79,844	6,929	159,771

Summary of Container Corporation Overseas Operations ($ thousands)	1974	1973
Net assets	$131,275	$112,806
Represented by:		
Minority interest	$ 23,346	$ 20,785
Container's equity	107,929	92,021
Net sales	$255,425	$190,446
Total earnings	$ 20,211	$ 15,995
Container Corporation's equity in total overseas earnings	$ 17,121	$ 13,131

The aggregate amount of foreign exchange adjustments was not material in 1974 and 1973.

Ward opened 19 new stores in 1974 which contributed $86,554,000 to sales.

Ward's retail sales increased 11.6% to $2,703 million in fiscal 1974 from $2,421 million in 1973.

Ward's catalog sales increased 13.7% to $869 million in 1974 from $764 million in 1973. These amounts include catalog orders processed through Montgomery Ward's retail stores included in Sales per Selling Square Foot at right.

Ward's sales per square foot of retail selling space has increased 27.5% from 1971 to 1974. Included in sales per square foot are retail sales and catalog orders processed through retail stores which are classified as catalog sales in the five-year chart of Montgomery Ward Sales on page 23, in the amount of $301 million in 1974, $279 million in 1973, $252 million in 1972 and $240 million in 1971.

Stores Opened and Closed	1974 No. of Stores	1974 Square Feet of Selling Space	1973 No. of Stores	1973 Square Feet of Selling Space
New stores opened	19	1,739,000	20	1,790,000
Old stores closed	22	452,000	36	704,000

Square Feet of Selling Area (thousands)	1974	1973	1972	1971
Stores opened since 1958:				
Open less than three years	4,990	5,016	4,552	4,391
Open three years or more	19,584	17,562	15,459	14,188
Old stores (substantially all opened prior to 1938)	2,239	2,784	3,354	3,872
Total square feet	26,813	25,362	23,365	22,451
Sales Per Selling Square Foot*				
Stores opened since 1958:				
Open less than three years	$101	$ 91	$ 74	$ 76
Open three years or more	122	119	107	101
Old stores	80	75	64	64
Sales per selling square foot	$116	$110	$ 96	$ 91

*Calculation based on only those stores in operation for the full year.

U.S. income taxes are provided on dividends received from overseas subsidiaries. During the past three years, dividends have averaged 48% of the earnings for these subsidiaries. As of January 31, 1975, the undistributed earnings of overseas subsidiaries were $74 million, all of which has been reinvested in properties, equipment and working capital. No provision for foreign withholding or U.S. income taxes, has been made on substantially all the undistributed earnings reinvested.

The Internal Revenue Service has proposed adjustments to the consolidated federal income tax returns of Marcor Inc. for the years 1968, 1969 and 1970. These adjustments relate principally to the method of computing the amount of gross profit which may be deferred under the installment method for tax purposes. The effect of any additional assessment on earnings would be minimal since the tax has previously been provided. The assessment proposed by the IRS is $29,000,000 and any additional tax will be charged against the existing reserve for deferred taxes of $378,000,000 relating to installment receivables. The Company is contesting the proposed adjustments, and in the Company's opinion, the ultimate assessment will be materially less than proposed. Changes in the method of computing the deferral of gross profit for tax purposes which may result from the IRS review will also reduce the amount of taxes deferred and increase the taxes payable in the years subsequent to 1970, although the effect on earnings would be minimal since the tax will have been previously provided.

Marcor's interest in Pioneer Trust & Savings Bank was sold for $24,000,000 in cash in September, 1974, in connection with the acquisition by Mobil Oil Corporation of equity securities of Marcor as described on page 25. This sale resulted in a net loss of $4,489,000 which is included in Marcor's Statement of Earnings for the year ended January 31, 1975, and was charged in full to the third quarter. The net earnings of Pioneer Trust & Savings Bank included in the Statements of Earnings of Marcor and Ward were $3,022,000 in 1974 and $3,841,000 in 1973.

Marcor accounts receivable increased $347 million to $2.3 billion at the end of 1974. This includes accounts held by the Credit Corporation.

Provision for Taxes on Income

Reconciliation of effective rates to statutory federal (48%) rate	1974 Amount (thousands)	1974 Effective Rate (%)	1973 Amount (thousands)	1973 Effective Rate (%)
At statutory rate	$108,498	48.0	$86,416	48.0
Investment tax credit	(5,948)	(2.7)	(5,079)	(2.8)
Lower rates on foreign operations	(1,479)	(0.7)	(850)	(0.5)
State taxes on income less applicable federal taxes	3,744	1.7	3,086	1.7
All other-net	847	0.4	(191)	(0.1)
Total	$105,662	46.7	$83,382	46.3

Current and Deferred Income Taxes ($ thousands)	1974	1973
Federal taxes on income currently payable	$ 2,144	$ 5,652
Overseas taxes on income (principally current)	17,411	14,649
State income taxes (principally current)	7,201	5,936
Deferred federal taxes on income:		
Due to use of installment sales method of accounting for tax purposes	74,510	54,310
Due to use of accelerated depreciation for tax purposes	9,767	7,574
Net future tax benefits arising from other timing differences relating to current assets and current liabilities	(5,371)	(4,739)
Total	$105,662	$83,382

Summary of Investments and Other Assets ($ thousands)	January 31, 1975	January 31, 1974
Unconsolidated subsidiaries and affiliates:		
Montgomery Ward Credit Corporation	$353,740	$261,468
Pioneer Trust & Savings Bank	—	29,027
Montgomery Ward Life Insurance Company	21,604	12,599
T. R. Miller Mill Co. (49% interest)	19,118	18,407
Other (including 20% to 50% owned companies)	7,490	3,949
Total	$401,952	$325,450
Other assets	30,569	17,164
Total investments and other assets	$432,521	$342,614

Accounts Receivable in Consolidated Balance Sheet ($ thousands)	January 31, 1975	January 31, 1974
Ward's customer credit receivables (after reduction in 1974 for customer receivables of $23,769 sold to bank without recourse)	$1,983,350	$1,596,213
Other	295,762	335,654
Total	$2,279,112	$1,931,867
Less:		
Reserve for uncollectible accounts	(59,908)	(49,561)
Accounts sold to credit subsidiary (less contract withholding account)	(1,880,050)	(1,512,729)
Receivables, less reserves	$ 339,154	$ 369,577

Ward's advertising expenses were $140,977,000 during 1974, excluding catalog publication expense, or 3.9% of Ward sales. The 1973 advertising expenses were $123,178,000, or 3.8% of sales.

Marcor's taxes other than income taxes, included in the statement of earnings for 1974 consisted of $67.0 million for payroll taxes and $36.5 million for real estate, personal property, franchise, and miscellaneous taxes compared with $61.5 million and $34.8 million, respectively, for 1973.

Indenture provisions covering the long-term indebtedness of the Company's consolidated subsidiaries contain provisions which restrict the amount of dividends which these subsidiaries may pay to Marcor. Under the most restrictive of these provisions, $423,209,000 of Earnings Reinvested of these subsidiaries was available for payment of dividends as of January 31, 1975. Indenture provisions covering the long-term debt of Marcor restrict none of its Earnings Reinvested as to payment of dividends.

Unused lines of credit for short-term financing which Marcor and its subsidiaries had with banks totalled $989,790,000 as of January 31, 1975. Substantially all of the unused lines of credit support the outstanding commercial paper of Montgomery Ward Credit Corporation and may be used by either the Credit Corporation or Montgomery Ward & Co., Incorporated. Marcor has a consistent practice of requesting and accepting renewals of these credit lines each year. Under informal arrangements, Marcor and its subsidiaries maintain compensating balances with participating banks which average approximately 10% of the unused lines of credit, except for approximately $57,500,000 of these lines for which a commitment fee of ¼ of 1% to ⅜ of 1% is paid by the Credit Corporation on the unused commitment in lieu of maintaining compensating balances. Should these lines of credit be utilized, the compensating balances may, in certain instances, be increased by 10% of such borrowings. The compensating balances are based on the average monthly collected balances per the banks' records and are legally subject to withdrawal.

Interest expense rose to $174.9 million in 1974 compared to $127.5 million in 1973, an increase of 37.2%.

Long-Term Debt Summary ($ thousands)	January 31, 1975	January 31, 1974
Marcor Inc.:		
6½% subordinated instalment debentures due 1988	$269,302	$269,302
5% convertible subordinated debentures due 1996	99,286	100,000
Container Corporation of America and subsidiaries:		
Sinking fund debentures due from 1980 to 1993 bearing interest from 3.30% to 6⅝%	55,755	57,866
Lease obligations, average interest rate of 5¾%	62,049	63,576
Other	28,327	21,278
Montgomery Ward & Co., Incorporated:		
Sinking fund debentures due from 1982 to 1990 bearing interest from 4⅞% to 6%	136,533	137,609
Other	9,018	6,037
Montgomery Ward real estate subsidiaries:		
Secured notes due serially to 2005 bearing interest from 4¾% to 8½%	60,376	61,000
Other subsidiaries:		
Various notes and debentures maturing over the next 27 years	21,751	24,460
Total	$742,397	$741,128

Long-term debt payment requirements, excluding $13,852,000 due in 1975, are summarized below ($ thousands):

1976	$ 15,749	1981	$ 17,986	1985-1989	$ 343,661
1977	15,750	1982	17,750	1990-1994	96,575
1978	26,307	1983	16,285	1995-1999	105,421
1979	23,314	1984	29,616	After 1999	4,847
1980	29,136				
Total					$742,397

As of January 31, 1975, assets with a net book value of approximately $114 million represented collateral for certain of the long-term debt of Marcor subsidiaries.

Interest Expense ($ thousands)	1974	1973
Interest on long-term debt	$ 45,955	$ 43,884
Discount on customer receivables sold, principally to Montgomery Ward Credit Corporation	193,882	130,415
Interest on advances from Credit Corporation	16,228	10,294
Total	$256,065	$184,593
Less:		
Earnings before taxes on income of Montgomery Ward Credit Corporation	(71,677)	(47,776)
Capitalized interest on construction in progress	(3,278)	(2,013)
Miscellaneous interest income, net	(6,161)	(7,289)
Interest expense	$174,949	$127,515

To finance credit sales, Montgomery Ward sells customer accounts receivable to Montgomery Ward Credit Corporation without recourse. At the time accounts are purchased, the Credit Corporation withholds 5% of the balance to be paid by the customers as a reserve for potential credit losses. The Credit Corporation periodically charges an agreed discount on the unpaid balances of the accounts receivable. The discount rate, which may be changed from time to time by mutual agreement, is currently designed to produce earnings of 1½ times fixed charges on the Credit Corporation's debt.

Credit Corporation earnings were $37.3 million in 1974 compared to $24.8 million in 1973. Gross income (consisting principally of discount on receivables purchased from Ward) of the Credit Corporation in 1974 was $212.1 million compared to $142.3 million in 1973. Interest expense rose to $139.3 million from $93.5 million in 1973. The pretax earnings of the Credit Corporation are included in the consolidated statement of earnings as a reduction of interest expense, and the provision for taxes on income is included in the consolidated provision.
A separate annual report of Montgomery Ward Credit Corporation is available upon request.

Short-term borrowings of Montgomery Ward Credit Corporation consist principally of commercial paper with maturities ranging from 1 to 270 days and a weighted average remaining term of approximately 24 days as of January 29, 1975. Data relating to short-term borrowings by the Credit Corporation, including $50,000,000 of commercial paper (supported by multi-year revolving credit commitments) classified as long-term, are summarized in the table at right.

Montgomery Ward Credit Corporation Condensed Balance Sheet ($ millions)	January 29, 1975	January 30, 1974
Assets		
Cash	$ 20.3	$ 15.0
Customers' deferred payment accounts purchased without recourse from Montgomery Ward	1,979.0	1,592.3
Notes receivable from Montgomery Ward	—	14.4
Other assets	11.0	3.5
Total assets	$2,010.3	$1,625.2
Liabilities and Equity		
Demand notes payable	$ 70.8	$ —
Commercial paper	809.5	816.4
Note payable to Montgomery Ward	35.7	—
Contract withholding account applicable to customers' deferred payment accounts	98.9	79.6
Accrued taxes and expenses	24.8	22.8
Long-term debt	616.9	444.9
Equity of Montgomery Ward	353.7	261.5
Total liabilities and equity	$2,010.3	$1,625.2

Short-Term Debt— Credit Corporation ($ millions)	1974	1973
Average aggregate short-term daily borrowings	$ 999	$ 730
Maximum aggregate short-term borrowings outstanding at any fiscal month end during the period	$1,102	$ 873
Weighted average interest rate of short-term borrowings without giving effect to compensating balances:		
Of total borrowings outstanding during the year	10.02%	8.47%
Of total indebtedness outstanding at year-end	8.04%	9.03%

Long-Term Debt— Credit Corporation ($ millions)	January 29, 1975	January 30, 1974
Notes payable—variable rates, related to 180 day commercial paper rate, 6.50% to 8.84% at January 29, 1975, due 13 months after demand	$ 42.0	$ —
Commercial paper, supported by multi-year revolving credit commitments from banks	50.0	—
Term notes—7⅛% due 1979-1980	40.0	40.0
Term notes—variable rates related to prime, 10.75% to 11.97% at January 29, 1975, due 1976-1980	105.0	85.0
Debentures—4¾% to 9½% due 1980-1990	379.9	319.9
Total	$ 616.9	$ 444.9

Subsequent to January 29, 1975, the Credit Corporation sold $50,000,000 of 9.6% Sinking Fund Debentures due February 1, 1995 on which the Credit Corporation is required to make an annual Sinking Fund payment of $4,000,000 in each of the years 1985 through 1994.
Neither Montgomery Ward nor Marcor guarantees the obligations of the Credit Corporation.

Ward consumer credit operations reported a return in 1974 of .2 of 1% on the average outstanding customer accounts receivable balances.

The number of Ward credit accounts with a balance increased 6.2% during 1974 to 6.2 million. The average credit account balance was $323 at the end of 1974, compared with $272 at the end of 1973. Active credit accounts had an average maximum maturity of 22.5 months in 1974 and monthly collections averaged 8.4% of the outstanding customer accounts receivable.

Ward delinquency and credit loss increased during the year. Delinquent accounts are those on which one full monthly payment has not been received during the previous two to eight months. Delinquent accounts represented 5.0% of the total outstanding balances for all accounts at the end of 1974. This compares with delinquency of 4.2% at the end of 1973. Net charge-offs (as defined on Page 19 in Major Accounting Policies) were $34 million in 1974 compared to $22 million in 1973. This was 2.0% of the average accounts receivable balance in 1974 compared with 1.7% in 1973. Provisions to the accounts receivable reserve exceeded net charge-offs by $10 million in 1974 and in 1973.

Consumer insurance and financial services, conducted through Montgomery Ward Life Insurance Company and Signature Agency, Inc., wholly owned non-consolidated subsidiaries of Montgomery Ward, contributed $5.3 million of net earnings in 1974, a 40% increase from $3.8 million earned in 1973. Both companies specialize in the mass marketing of insurance and consumer services to Montgomery Ward's credit customers.

Montgomery Ward Life Insurance Company continues to report significant growth in earnings. Earnings for the year ended December 31, 1974 amounted to $4.0 million, up 14% from the preceding year. New individual and direct response sale of life, hospital and accident policies have also increased sharply. Premium income totaled $29.8 million for the year. Late in 1974 Montgomery Ward Insurance Company was formed as a property-casualty insurance subsidiary of the Life Company. Initial efforts will be directed to the direct response sale of automobile coverages.

Signature Agency, Inc. specializes in selective marketing, to Ward credit customers, of credit protection insurance and auto club products. Net earnings in fiscal 1974 were $1.3 million on gross revenues of $8 million.

Ward Customer Credit Operating Results ($ thousands)	1974	1973
Service charges	$ 275,391	$ 213,830
Expenses:		
Payroll	$ 44,310	$ 42,233
Provision for uncollectible accounts	43,964	32,118
All other credit and collection expenses	56,964	45,827
Interest, computed as stated below	124,276	82,899
Federal taxes on income	2,821	5,161
Total expenses	$ 272,335	$ 208,238
Excess of service charges over expenses	$ 3,056	$ 5,592

Allocation of interest to the customer credit operation was made using the average rate of interest incurred during each year (8.70% in 1974 and 7.47% in 1973) and the average total customer accounts receivable less deferred federal income taxes applicable to installment accounts receivable. Service charges are credited against operating expenses in the Statement of Earnings.

Ward Credit Statistics ($ millions)	1974	1973	1972	1971	1970
Gross credit sales	$2,022.7	$1,773.4	$1,462.9	$1,287.7	$1,268.0
Percent of gross sales	50.9	50.4	51.0	49.1	51.5
Service charge revenue before applicable expense	$ 275.4	$ 213.8	$ 170.7	$ 168.5	$ 166.9
Net write-offs	$ 33.8	$ 22.3	$ 22.1	$ 27.5	$ 28.1
Percent of net write-offs to average receivable balance	2.0	1.7	2.1	2.7	2.7
Year-end delinquency percentage	5.0	4.2	4.1	4.8	5.1

Consumer Insurance and Financial Services Summary of Earnings ($ millions)	1974	1973
Life and health earnings	$ 5.3	$ 4.6
Other	2.7	.6
Earnings before provision for taxes on income	$ 8.0	$ 5.2
Provision for taxes on income	2.7	1.4
Net earnings	$ 5.3	$ 3.8

Condensed Balance Sheet ($ millions)	1974	1973
Assets:		
Bonds, at amortized cost	$20.8	$10.7
Loans	9.6	8.0
Other assets	17.7	13.5
Total	$48.1	$32.2
Liabilities:		
Policy and claim reserves	$17.5	$15.6
Other liabilities	3.8	2.1
Income taxes	3.6	1.6
Equity of Montgomery Ward	23.2	12.9
Total	$48.1	$32.2

Lease obligations, principally real estate leases, of Marcor subsidiaries generally provide for the payment of minimum rentals and, in certain instances, additional amounts such as real estate taxes and additional rentals based upon percentage of sales. Certain of these leases are considered to be non-capitalized financing leases as defined by the Securities and Exchange Commission. Minimum rental obligations for the non-cancelable periods under all leases having original terms of more than one year, when discounted to present values, were $522 million at January 31, 1975, and $401 million a year earlier. The present value, when discounted, of the minimum future rental payments under non-capitalized financing leases over the estimated useful life of the property, which includes the non-cancelable period and in most cases some of the option periods, was $479 million at January 31, 1975, and $351 million at January 31, 1974. Estimated lessor obligations for property taxes and other expenses relating to the maintenance of leased properties have been excluded from the minimum rentals in determining the present value of lease obligations. The weighted average interest rate used in the computation of the present value of rental payments under non-capitalized financing leases was 7.0% in 1974 and 6.6% in 1973. Individual interest rates ranged from 4.7% to 9.0% in both years. The effect on net earnings, if non-capitalized financing leases had been capitalized, would have been a reduction of net earnings of approximately $2.5 million in fiscal 1974 and $1 million in fiscal 1973.

Minimum rentals under all non-cancelable leases in effect at January 31, 1975, which had an initial term of more than one year are as follows ($ thousands):

	Non-Capitalized Financing Leases	Other Leases	Total
1975	$ 60,390	$ 19,387	$ 79,777
1976	60,690	12,559	73,249
1977	60,223	10,707	70,930
1978	58,941	9,670	68,611
1979	56,974	8,015	64,989
1980-1984	276,952	25,281	302,233
1985-1989	258,802	8,712	267,514
1990-1994	218,841	1,661	220,502
After 1994	268,946	929	269,875

Rental Expense ($ thousands)	1974	1973
Non-capitalized financing leases:		
Minimum rental expense	$51,815	$44,380
Additional rentals based on sales	4,541	4,137
Other leases	35,340	38,397
Total	$91,696	$86,914

Marcor Sales by Principal Lines of Business

($ millions)	1974	1973	1972	1971	1970
Merchandising (Montgomery Ward)	$ 3,623	$ 3,231	$ 2,640	$ 2,377	$ 2,227
Packaging (Container Corporation)	965	767	645	559	527
Other subsidiaries	79	79	84	63	51
Total sales	$ 4,667	$ 4,077	$ 3,369	$ 2,999	$ 2,805

Marcor Pre-tax Earnings by Principal Lines of Business

($ thousands)	1974	1973	1972	1971	1970
Merchandising (Montgomery Ward)	$ 90,486	$112,254	$ 90,217	$ 78,444	$ 76,744
Packaging (Container Corporation)	153,676	98,642	62,108	41,229	55,654
Marcor interest expense not allocated above	(22,556)	(22,579)	(22,579)	(20,587)	(17,526)
Other	(4,513)	(8,283)	2,306	1,949	(896)
Total pre-tax earnings	$217,093	$180,034	$132,052	$101,035	$113,976

A number of pending lawsuits against Marcor, Montgomery Ward and other retailers, some of which purport to be brought as class actions, attack under federal and state laws the legality of certain credit and billing practices. The relief requested in these lawsuits includes: refunds of finance charges collected during periods dating back to 1964; statutory penalties under state laws and the federal Truth-in-Lending Act; injunctive relief requiring changes in the challenged practices; relief preventing the collection of outstanding balances; punitive damages; and costs, including reasonable attorneys' fees. The ultimate liability under the lawsuits against Montgomery Ward and Marcor is not presently determinable, but such suits could, over a period of time, involve millions of dollars if they should be decided adversely. However, the management of the Company does not anticipate that the ultimate disposition of these lawsuits will have a material adverse effect on the business or the financial position of the Company.

A federal grand jury investigation of the folding carton industry has been pending for some time in the United States District Court in Chicago, Illinois. The investigation relates to compliance with the antitrust laws in the pricing of folding cartons. Subpoenas have been issued to numerous companies in that industry. In January and February, 1974 and January, 1975, Container Corporation of America produced the documents requested of it under its subpoenas. As of March 14, 1975, many industry employees, including five employees of Container, had testified before the grand jury, and another Container employee had been subpoenaed to testify.

In June, 1974, Marcor was informed that the Department of Justice was investigating whether the acquisition by Mobil Oil Corporation of a controlling interest in Marcor would violate the antitrust laws. In the course of this investigation, the Department of Justice has from time to time requested information, which Marcor has supplied. The investigation is continuing and Marcor has not been advised by the Department of Justice whether or not it is contemplating any legal action. Marcor was advised by its outside legal counsel prior to the acquisition of its stock by Mobil Oil Corporation that such acquisition would not violate the antitrust laws.

Hydro Conduit Corporation, a consolidated subsidiary of Marcor, earned $1,324,000 in 1974 compared to $1,860,000 in 1973. As indicated on page 25, as of February 1, 1974, Hydro adopted the last-in, first-out method for valuing inventories. This change in method had the effect of reducing net earnings for the fiscal year ended January 31, 1975 by $1,452,000. The LIFO method is considered to be preferable because it more closely matches current costs with current revenues in periods of price level changes; under the LIFO method, current costs are charged to cost of sales for the year.

Other consolidated Ward subsidiaries contributed $2,887,000 to net earnings of Marcor and Ward in 1974 and $3,047,000 in 1973 principally from Ward's educational and restaurant subsidiaries.

T.R. Miller Mill Company contributed $896,000 in 1974 and $650,000 in 1973 to Container and Marcor earnings.

Marcor Housing Systems, a consolidated Marcor subsidiary, incurred a net loss of $5,947,000 in 1973 which included a provision of $4,400,000 net of income taxes to reduce the assets to estimated realizable values. Marcor is presently in process of liquidating its investment in Marcor Housing and all expenses during 1974 were charged against the reserve established in 1973 for such purpose.

Auditors' Report

To the Stockholders and Board of Directors of Marcor Inc.:

We have examined the balance sheet of Marcor Inc. (a Delaware Corporation) and consolidated subsidiaries as of January 31, 1975 and January 31, 1974, and the related statements of earnings, earnings reinvested and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully explained in the financial information on page 25, the principal manufacturing subsidiaries of the Company changed from generally the lower of average cost or market method to the last-in, first-out method of computing the cost of all or a portion of their inventories as of February 1, 1974. In addition, as noted on page 25, Montgomery Ward & Co., Incorporated changed as of the beginning of fiscal 1974 its method of accounting for store pre-operating expenses from amortizing these expenditures over a 36-month period following the store opening date to charging these costs to expense as incurred.

In our opinion, the accompanying financial statements referred to above present fairly the financial position of Marcor Inc. and consolidated subsidiaries as of January 31, 1975 and January 31, 1974, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles which, except for the changes (with which we concur) in the method of accounting for inventories and store pre-operating expenses referred to in the preceding paragraph, were consistently applied during the periods.

Arthur Andersen & Co.

Arthur Andersen & Co.
Chicago, Illinois,
March 14, 1975.

Marcor Inc.

Directors

Leo H. Schoenhofen
Chairman of the Board,
Chief Executive Officer Marcor

Robert E. Brooker
Chairman, Executive Committee
Marcor and Montgomery Ward

Charles L. Brown
Executive Vice President and
Chief Financial Officer
American Telephone and Telegraph Company

Thomas F. Cass
Group Executive Vice President
Container Corporation

Edward S. Donnell
President, Marcor and
Chairman of the Board and
Chief Executive Officer
Montgomery Ward

William P. Drake
President, Chairman,
Chief Executive Officer Pennwalt Corporation
(Manufacturer and distributor of
chemicals, pharmaceuticals,
dental products and
specialized process equipment)

W. Leonard Evans, Jr.
President, Publisher and Chief Executive Officer
Tuesday Publications

Gaylord Freeman
Chairman of the Board,
Chief Executive Officer
The First National Bank of Chicago

Daniel M. Galbreath
Executive Associate
John W. Galbreath & Co.
(Real estate development)

James Lutz
Executive Vice President- Merchandising
Montgomery Ward

Arthur C. Nielsen, Jr.
President A. C. Nielsen Company
(Market research)

James Q. Riordan
Director, Senior Vice President for Finance
Mobil Oil Corporation

William P. Tavoulareas
Director, President and Vice Chairman
of Executive Committee
Mobil Oil Corporation

Henry G. Van der Eb
Chairman of the Board
Chief Executive Officer
Container Corporation

Rawleigh Warner, Jr.
Director, Chairman of the Board and
Chief Executive Officer
Chairman of Executive Committee
Mobil Oil Corporation

Marina v.N. Whitman
Distinguished Public Service
Professor of Economics
University of Pittsburgh

Lawrence M. Woods
Vice President for Planning and
Economics Mobil Oil Corporation

Gordon R. Worley
Vice President-Finance
Marcor and Montgomery Ward

Other Officers

John D. Foster
Vice President
Organization Policy and
Planning

Peter T. Jones
Vice President
Legal and Government Affairs

Patrick J. Head
Vice President
Washington Office

Richard S. Kelly
Secretary and General Counsel

Assistant Secretaries
Thomas J. Bauch
Joseph R. Petr

Marcor Committees

Executive Committee
Robert E. Brooker *(Chairman)*
Leo H. Schoenhofen
Edward S. Donnell
Henry G. Van der Eb
Gaylord Freeman
Arthur C. Nielsen, Jr.
William P. Tavoulareas
Rawleigh Warner, Jr.
James Q. Riordan *(alternate)*
Lawrence M. Woods *(alternate)*

Finance Committee
Gordon R. Worley *(Chairman)*
Robert E. Brooker
Gaylord Freeman
Leo H. Schoenhofen (ex officio)

Audit Committee
Charles L. Brown *(Chairman)*
W. Leonard Evans, Jr.
Marina v. N. Whitman
James Q. Riordan

Nominating and Compensation Committee
Robert E. Brooker *(Chairman)*
Leo H. Schoenhofen
William P. Drake
Daniel M. Galbreath
Arthur C. Nielsen, Jr.

Restricted Stock, Stock Equivalent, Stock Price Plan and Stock Option Plan Committees
Daniel M. Galbreath *(Chairman)*
William P. Drake
Arthur C. Nielsen, Jr.

Transfer Agents, Registrars and Trustees

Common Stock Transfer Agents:

Morgan Guaranty Trust
Company of New York, NY, NY

The Northern Trust Company
Chicago, IL

Common Stock Registrars:

Morgan Guaranty Trust Company
of New York, NY, NY

The First National Bank of
Chicago, Chicago, IL

Preferred Stock Transfer Agents:

First National City Bank
New York, NY

Harris Trust & Savings Bank
Chicago, IL

Preferred Stock Registrars:

Chemical Bank
New York, NY

Continental Illinois National Bank
and Trust Company of Chicago
Chicago, IL

6½% Subordinated Instalment Debentures Trustee:

Continental Illinois National Bank
and Trust Company of Chicago
Chicago, IL

5% Convertible Subordinated Debentures Trustee:

The Northern Trust Company
Chicago, IL

Corporate Offices

Marcor Inc.

535 West Chicago Ave.
Chicago, IL 60610
(312) 467-8800

Edgemart Bldg., 4 Denny Road
Wilmington, DE 19809
(302) 762-5256

Montgomery Ward & Co., Incorporated

535 West Chicago Ave.
Chicago, IL 60610
(312) 467-2000

Container Corporation of America

One First National Plaza
Chicago, IL 60607
(312) 786-5500

A copy of the Form 10-K Annual Report for 1974 filed with the Securities and Exchange Commission will be furnished without charge on request to: Richard S. Kelly, Secretary of Marcor Inc., Edgemart Building, 4 Denny Road, Wilmington, Delaware, 19809.

About the Cover

Serving the consumer is the business of Marcor's principal subsidiaries.
Montgomery Ward serves the needs of consumers with quality products and services at reasonable prices. This is achieved through expert buying and merchandising, and efficient distribution of goods through thousands of retail and catalog outlets.
Container Corporation of America creates paperboard packaging, custom-tailored for the products of virtually every segment of industry and agriculture. Packaging facilitates marketing and distribution, providing product protection, point-of-purchase display, and consumer information and convenience. Raw materials for this packaging come both from Container's forest lands and from the "urban forest" where the company collects and recycles large quantities of secondary fibres.


Chocolate Chip